

## **California Department of Motor Vehicles draws on Activity Based Costing applications to improve Enterprise Performance Management**

The California Department of Motor Vehicles (DMV) is responsible for registering vehicles in the state of California and licensing the state's drivers, which currently amounts to about 33 million vehicles registered and approximately 24 million licensed drivers in the state alone. As one of the largest and busiest DMV in the country, the management team's vision has always been for California to be recognized as the nation's leader in motor vehicle administration and for providing unrivaled customer service. As part of that vision, the California DMV has always been aggressive in researching new ways to improve upon system efficiencies and streamline procedures to better analyze public service costs as well as improve processes.

Since July 2006, California DMV has been using an advanced activity-based costing (ABC) software solution to more efficiently and accurately cost out its services. "Activity Analysis" enterprise performance management (EPM) provides the capability to conduct multi-dimensional cost analysis, and improve processes where necessary. The ABC management solution provides the California DMV with the agility and flexibility to conduct cost driver analysis, activity analysis, and performance measurement based on reliable data.

Prior to 2006, the California DMV product cost system was based on traditional costing. But the traditional costing system did not meet management's detailed needs for multi-dimensional cost analysis required by the California DMV management team. Traditional costing systems do not provide detailed costs by activity. Based on the need for better cost information by activities the California DMV Executive management invested in an ABC system.

With the implementation process completed in just six months, the California DMV became the first agency in the State of California to drive 100% of their resources to the ABC system. Now the California DMV finally has a better system in place that captures costs by activity and a centralized repository of all detailed cost data. The management team assigns resources to activities based on cause and effect and also performs "what-if" scenarios using the performance management application. The California DMV has identified 418 activities and 81 different products and services with the new system. Prior to 2005, the California DMV had identified zero activities and only 44 products and services.

By raising cost awareness throughout the department and gaining a better understanding about how resources are being consumed, the California DMV will be able to use the ABC cost data in improving decision making, customer service and better allocating its resources. As customer requirements continue to evolve and increase in demand, it is important for the department to evolve as well to meet these growing demands head-on.

The California DMV is setting the example for identifying new best practices in activity based costing for other agencies to follow and creating a new operational paradigm throughout hundreds of agencies in California to help them improve customer service in the same way. Furthermore, the California DMV can utilize the data to effectively

prepare legislative bill analysis, budget change proposal, fees setting, streamline processes and support performance measures.